

ECONOMIC NEWS

China: Real GDP Rebounded in the First Quarter

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HIGHLIGHTS

- ▶ Chinese real GDP rose 2.2% in the first quarter of 2023 after stalling in the fourth quarter of 2022. Year-over-year real GDP growth was 3.6%.
- Industrial production rose 3.9% year-over-year in March, up from 2.4% in February.
- ▶ Meanwhile, retail sales surged 10.6% year-over-year in March after increasing 3.6% in February.

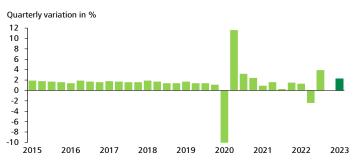
COMMENTS

As expected, Chinese real GDP rebounded in the first quarter of 2023 after authorities ended the zero-COVID policy in December. The central government, long an advocate of strict and rapid lockdowns, backed down late last year when the policy's economic and human consequences led to huge protests.

While real GDP growth during the pandemic was largely driven by industrial production, the removal of the last public health restrictions is now reviving the service sector. This has boosted retail sales, which picked up for the second successive month and rose 10.6% year-over-year in March. Chinese domestic demand appears to be finally starting to recover after several turbulent years of COVID-related challenges and uncertainty. Future year-over-year prints are therefore likely to remain very strong due to comparisons with last year when the country spent several months in lockdown.

This isn't to say that industrial production was disappointing. Exports and the global economy in general have held up well, driving industrial production higher in March. However, the expected slowdown, particularly in the consumption of goods, may limit the potential for additional gains in this area. Weaker consumer and business confidence, the global economic slowdown and the fragile real estate market will also continue to drag down growth in the coming quarters.

GRAPH 1 Chinese Real GDP Rebounded in the First Quarter



Sources: National Bureau of Statistics of China and Desiardins Economic Studies

IMPLICATIONS

Leaving behind the zero-COVID policy was clearly very positive for the Chinese economy and seems to finally be fuelling domestic demand. As such, real GDP growth this year should outstrip the 3% we saw in 2022. Metal and energy prices may also benefit from this rebound.

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